WORKING REPORT

THE ECONOMIC IMPORTANCE OF THE CULTURAL INDUSTRIES IN SANTA FE COUNTY

SUBMITTED TO:
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February 3, 2004

UNIVERSITY OF NEW MEXICO

BUREAU OF BUSINESS AND ECONOMIC RESEARCH



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EXECUTIVE SUMMARY

1. INTRODUCTION

2. METHODOLOGY

The following narrative describes the methodology used to measure the economic impact of arts and cultural activities taking place in Santa Fe County. These steps include defining and categorizing the range of art and cultural activities present in the county, measuring the level of these activities in terms of employment and wages, calculating the resulting indirect and induced impacts, and estimating the fiscal impacts these activities have on City and County government.

a) Defining Cultural Activities

For the purpose of this analysis, cultural activities include creative artistic and cultural work and supporting activities that distinguish the Santa Fe region, creating a unique sense of place. These activities exploit the cultural heritage of Santa Fe but are not limited by that heritage; rather they form a process by which Santa Fe grows and changes.

Because of the various degrees of relationship that exist between businesses and the cultural content of the City of Santa Fe three categories of cultural activity are used in this analysis: Core, Peripheral, and Tourism. Core activities are those that are directly involved with the creation, presentation or perpetuation of art and/or cultural activities. Activities that have arts or cultural content but which also have other roles or are not "source" activities are categorized as peripheral. Tourism associated activities, such as select lodging and dining establishments in the Historic District, which either directly or indirectly contribute to Santa Fe's sense of place and help attract visitors or investments to Santa Fe are included in the "tourism" category. Parts of the analysis presented in this report combine tourism related and peripheral activities into one category. Each of these categories is defined below in more detail.

Core arts and cultural activities include:

- Artists, musicians, actors, dancers, writers and others directly involved in creating visual or performing arts, literature and film. These individuals may be selfemployed, perhaps working under contract/commission; they may be employed by businesses or non-profit organizations, like a symphony orchestra or a theater company.
- Artisan industries, including weaving, ceramics, metal-working, woodworking, cabinetry and furniture-making. Artisans may be self employed but artisan industries include manufacturing firms (e.g., Nambe) and workshops/retail stores (e.g., Ortega Weaving).
- Museums, galleries, and performing arts centers, and the organizations holding major events, like the Indian and Spanish Markets, which showcase art, crafts and different cultural traditions, provide a venue for performing arts and cultural activities, and/or provide market exposure and access for artists and artisans.

- Schools, educational institutions and training programs which are dedicated to teaching art and literature, familiarizing students with different cultures and cultural traditions, training artists and artisans.
- Some printing and publishing activities, if focused on arts and culture; some motion-picture and sound-recording activity.
- Foundations, grant-making organizations dedicated to funding arts and cultural activities (e.g., the NM Museum Foundation, Southwestern Association for Indian Arts).
- Government offices and agencies with a mission related to arts and cultural activities, (e.g., NM Office of Cultural Affairs).

Peripheral art and cultural activities include:

- Architects, interior designers, commercial artists, graphic designers, commercial photographers, and others who in their work apply an aesthetic and principals of design.
- Motion-picture and sound recording businesses; some printing and publishing activities.
- Businesses specializing in the sale of artisan/craft products (e.g., clothing, leather products, rugs) but not tied directly to the artists and artisans.
- Businesses selling music, musical instruments, fine books, artist supplies, photographic equipment/supplies, etc.
- Government offices and agencies with a mission not directly related to arts and cultural activities but which promote NM art, history and culture, (e.g., The City of Santa Fe Convention Center, the NM Department of Tourism.)
- A tourist component, consisting of
 - Non-chain restaurants in the Historic District.
 - Historic District hotels, like La Fonda and Hotel Santa Fe, which exemplify the "Santa Fe style" and which showcase and introduce customers to the art and culture of the region.
 - Other businesses that introduce and educate visitors to the history, cultural traditions, and art of the Santa Fe area.

b) Measuring Cultural Activity in Santa Fe County, 2002

Using the agreed upon definition of arts and cultural activities, businesses were identified on the basis of their NAICS (North American Industrial Classification System) code and/or on a case-by-case basis. First, a preliminary inventory of NAICS codes potentially representing targeted activities was developed. Targeted cultural activities are present in a total of 22 subsectors and industry-groups (3 and 4-digit NAICS codes). These NAICS codes were used to query the New Mexico Department of Labor ES-202 database, which contains all Santa Fe County employers and their NAICS industry codes designating the primary activity of the establishment. It is important to note that

¹ The employer records are based on the required quarterly reports by employers of workers covered under state law for unemployment insurance. BBER has a confidentiality agreement with New Mexico DOL that provides access to the ES-202 employer records as well as the wage records on individual employees.

because the ES 202 database is at the establishment level, where a business had more than one establishment – for example a manufacturing facility that also has a retail center - we were able to distinguish the different types of activity taking place allowing for a more accurate allocation of activity. Where targeted activities were accurately defined by the five or six digit NAICS codes, such as art galleries and museums, businesses were identified en-mass. These businesses where then reviewed by BBER research staff to confirm they met the working definition of art and cultural. More often than not, cultural activities could not be identified by NAICS code alone. In these cases a BBER researcher reviewed the individual businesses with the appropriate NAICS codes and identified businesses and organizations on a case-by-case basis.

Employment levels and payroll amounts for 2002 for the identified art and cultural businesses and organizations (including the public sector) were extracted from the New Mexico Department of Labor ES-202 employer database. Records in this database include both monthly employment and quarterly totals for wages and salaries. The direct impact of art and cultural employers equals the sum of employment and payroll amounts for the identified businesses and organizations.

Non-employers, those businesses subject to federal income tax with no employees and receipts of over \$1,000 per year, also contribute to the art and cultural activity occurring in the county. Non-employers include individual proprietorships (which include the self-employed), partnerships, and corporations. Unlike employers, the direct non-employer levels presented in this report are not calculated from establishment level data but are estimates based on secondary data. Non-employer establishment and receipts estimates are based on 2001 non-employer statistics published by the US Census Bureau. In cases where accurate counts of establishments and receipts were not disclosed at the county level for the specific arts and cultural NAICS sectors estimates were calculated using ratios based on the distribution of these establishments at the MSA, state, or national level. In a very few cases, where these ratios appeared unreliable, ratios were developed using the ES-202 data for employers and applied to non-employers. Because payroll does not apply to non-employers output was estimated by using receipts per establishment.

Output estimates for employers and non-employers were calculated for each subsector and industry group containing cultural activity. The output estimate was derived from data from the 1997 Economic Census using a ratio of dollar of output per dollar of wage. While every attempt was made to use City or County level data to calculate this ratio, because of limited data availability due to disclosure it was sometime necessary use a ratio based on the industry characteristics at the Santa Fe MSA (which includes Santa Fe and Los Alamos counties) or at the state level.

When possible, estimates were confirmed or incorporated primary data collected directly from art and cultural establishments in Santa Fe. Information was collected from a large number of arts and cultural institutions representing a variety of different activities. These data addressed three sets of questions.

- 1. What are the total revenues of the various sectors of the arts & cultural industries in Santa Fe? This information was mainly to check to reliability of standardized data sources, including the Economic Census and Bureau of Labor Statistics.
- 2. What percentage of all revenues generated by arts & cultural industries derive from regional exports; that is, to extent do these industries draw revenues to Santa Fe? This information helps to quantify the impact of arts & cultural industries in generating economic growth in Santa Fe.
- 3. What percentage of the expenditures made by the arts & cultural industries go to entities within Santa Fe, or conversely leave the region. Again, this information provides for the quantification of the economic impact of the sector on local economy.

The findings are presented in Appendix A and incorporated into the estimates presented below.

Employment, payroll and output were adjusted to reflect the level of activity that is considered "export," or supported by revenues from outside Santa Fe County. Export's portion of total activity was designated for each of subsector or industry group based on surveys, business interviews, and general industry characteristics. The ratio of export activity was applied to the total employment and wages of cultural businesses to yield the export supported direct employment and wage impact of cultural activities on Santa Fe County. These export ratios were also applied to the non-employer estimates.

Taxable gross receipts were calculated based on the estimated output in each subsector or industry group. The ratio of total reported gross receipts to taxable gross receipts by industry was applied to the output estimate of those cultural activities that are taxable. While every attempt was made to apply the tax ratio of Santa Fe County to the output estimates it was sometimes necessary to use the state's ratio. Because manufactured items sold out of state or to wholesalers or retailers for resale are exempted from gross receipts tax little of this activity produces gross receipts revenue for the City, County, or state.

c) Calculating Indirect and Induced Impacts

Regional economic impact analysis estimates the total amount of economic activity – jobs, income, and output – supported by the dollars that the industry in question brings into the region from elsewhere. BBER used the Implan Model to calculate the indirect and induced impacts associated with "direct" expenditures by the cultural industries from their "export revenues" on salaries, health care for employees, and on goods and services. The magnitude of the indirect and induced effects – and of the multiplier – depends critically on the amount of spending within Santa Fe County. For this study, BBER used Implan Pro 2.0 to estimate both the industrial composition of purchases and the proportions of purchases made within the County. Implan Pro 2.0 is a regional economic modeling and impact analysis application that works with a proprietary Santa Fe county input-output database. Implan Pro 2.0 calculates how much of any given

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² Minnesota IMPLAN Group, Inc., IMPLAN System (data and software), 1725 Tower Drive West, Suite 140, Stillwater, MN 55082 www.implan.com

expenditure stays within the region and traces the economic impact on regional industries. Implan Pro 2.0 is widely used in performing economic impact analyses. BBER has validated Implan Pro 2.0 results for New Mexico in other studies, where both Implan and BBER's FOR-UNM model have been used to estimate economic impacts.

"Margins" were used for retail categories such as art dealers, clothing stores and retail jewelry outlets. Margins measure the difference between producer price and purchaser price (the "mark-up") and assume the impact is on this difference rather than the whole amount of sales. Margins are not applied to retail services or other sectors.

Implan uses "regional purchase coefficients" (RPC) to estimate the amount of an industry's expenditures are spent in Santa Fe County. A "leakage" occurs when a firm must go outside of the county to purchase goods and services or when employees spend their income outside the county. For some industries in Santa Fe County, the RPC is less than 10 percent, meaning that only 10% of the purchases are made within the County and that most of the impacts are felt elsewhere. The size of the RPC depends on the composition of industries in the county.

3. DIRECT ART AND CULTURAL ACTIVITY IN SANTA FE COUNTY

a) Overall Activity

Table 1 shows the distribution of arts and cultural employment and non-employer establishments by cultural activity category and shows their percentage of the county totals. Total art and cultural activities and the amount constituting export are both presented in the table. Core employment, 2,866 full- and part-time employees, represents 5% of the total employment in Santa Fe County in 2002. Peripheral

Table 1
ESTIMATED EMPLOYMENT IN CULTURAL INDUSTRIES
COMPARED WITH TOTAL SANTA FE COUNTY, 2002

			Employ	ment in C	ultural Ind	ustries	
		Co	re	Perip	heral	Total C	ultural
	Santa Fe Co		As % of		As % of		As % of
	Totals	Number	Total	Number	Total	Number	Total
Wage Employment	58,738	2,866	5%	4,607	8%	7,472	13%
Non-Employers Self	12,917	1,243	10%	676	5%	1,919	15%
Total	71,655	4,109	6%	5,282	7%	9,391	13%
Supported by Outside Dollars (Exports)							
Wage Employment	_	2,267	4%	2,571	1%	4,838	8%
Non-Employers Self		852	7%	363	2%	1,215	9%
Total		3,120	4%	2,934	4%	6,054	8%

UNM Bureau of Business and Economic Research, 2004.

employment captured an additional 4,607 employees (8% of the County total). While not detailed in the table, tourism employment attributable to arts and culture totaled 3,320 employees, itself comprising 5.7% of the county's total employment. Core and Peripheral employment represents approximately 7,500 direct employees, 13% of Santa Fe county employment.

The distribution of non-employers differs from that of employers due to their varying presence by industry and because there are no non-employers in the government sectors. Non-employers with core arts and cultural activities constitute 10% of the non-employers county-wide, non-employers with peripheral activities an additional 5%. While not detailed in the table, art and cultural tourism activities comprise approximately 1.1% of non-employers. Overall, non-employers with arts and cultural activities constitute 15% of non-employers in the county. It should be noted that the estimate of non-employer arts and cultural activity is derived from 2001 statistics.

As was explained above, for purposes of doing economic impact analysis it is important to quantify the amount of economic activity that is supported by a flow of dollars into Santa Fe County from other regions. The products produced locally may be sold in national or international markets. Federal grants and grants from foundations that are endowed or that depend on contributions from individuals and corporations throughout the US are other sources of outside funding as are tourist expenditures in Santa Fe County. Estimates of the jobs in the cultural industries that are supported by outside dollars are presented in the bottom portion of Table 1. Because the portion of activity attributable to Santa Fe County sources is removed, both employer and non-employer export activity is less than total activity. The amount of employer activity attributable to non-Santa Fe County sources varies by sector.

Greater sectoral detail on employment may be found in the next section.

Table 2 presents a similar analysis of the distribution of wages (receipts for non-employers) by category for all art and culture activities and for those that are exported.

Table 2
ESTIMATED EARNINGS/RECEIPTS IN CULTURAL INDUSTRIES
COMPARED WITH TOTAL SANTA FE COUNTY, 2002

		Ea	rnings/Red	eipts in Cul	tural Indust	ries (\$000s)	
		Cor	е	Periph	eral	Total Cu	ltural
	Santa Fe Co (\$000s)	Wages/ Receipts	As % of Total	Wages/ Receipts	As % of Total	Wages/ Receipts	As % of Total
Wages & Salaries	1,835,680	88,153	5%	102,020	6%	190,173	10%
Non-Employer Receipts	554,587	40,458	7%	31,708	6%	72,165	13%
Total Earnings/Receipts	2,390,267	128,610	5%	133,728	6%	262,338	11%
Supported by Outside Dollars (Exports)							
Wage Employment	-	69,361	4%	75,697	4%	145,058	8%
Non-Employers Self		29,288	2%	17,234	3%	46,522	8%
Total		98,649	5%	92,930	4%	191,580	8%

UNM Bureau of Business and Economic Research, 2004.

b) Art and Cultural Activities by Sector

As noted early, there is a wide variety of different art and cultural activities occurring in Santa Fe County. The following describes activities defined as art and cultural activities and present in Santa Fe County:

Manufacturing – Activities in this sector include metal forging and the production of manufactured metal products (such as the production of metal tableware and sculptures), pottery and glasswork, stonework, wood working and jewelry manufacturing. Manufacturing activity falls into both core and peripheral categories.

Retail -- The large majority of the activity in this sector is art galleries, which comprise over 400 jobs, all of which are categorized as core activity. Additionally, retail activity captured in the impact includes some jewelry, picture framing, and specialty leather, clothing and accessory, musical instrument stores identified as meeting definition of cultural activity. The majority of non-art gallery activity is categorized as peripheral activity.

Transportation -- A very small amount of tour guide activity was also included as in the peripheral impact.

Information -- Information sector activity captured in the impact is comprised largely of publishing, film production, and film presentation activities. Publishing operations dealing primarily with cultural topics, Santa Fe, and New Mexico are captured in the impact as either core or peripheral cultural activities based on their topics. Core activities include select film production and distribution companies and sound studios and a limited number of theaters which provide a venue for art and cultural films and

documentaries. More commercial production companies are classified as peripheral. Major commercial movie theaters are not included.

Professional, Scientific and Technical -- The activity in this sector, all of which is categorized as peripheral, includes architects and landscape architects, interior design, commercial artists, and commercial photography studios.

Administrative -- Administrative activities include a small number of travel and tour organizers that focus on the City of Santa Fe. All of the activity in the Administrative sector is categorized as peripheral.

Educational Services -- Educational Services activities are categorized as both core and peripheral. Core activities include arts, artisan, cultural and humanities programs at the College of Santa Fe, St. John's College University and at Santa Fe Community College as well as a number of arts institutes, schools and training programs located in Santa Fe. Peripheral activities include the remaining portions of the College of Santa Fe and St. Johns, which are viewed as supporting the core arts and humanities focus of these schools.

Arts, Entertainment and Recreation -- Activity captured in the arts, entertainment and recreation sector includes performing arts, such as the Santa Fe Opera, the symphony and chamber orchestras, theater groups, and the Lensic, as well as most of the museums and individual artists, artist studios and workplaces. The large majority of the performing arts activity is categorized as core while the museum activity falls into both the core and peripheral categories.

Accommodation and Eating and Drinking Places -- Recognizing the role culture plays in attracting tourist to the City of Santa Fe, hotels located in the Historic District in close vicinity of the plaza and which contribute to the cultural identity of the City are categorized as cultural. Specifically not captured in this activity are those hotels on Cerrillos and most chain hotels. The activity of hotels is categorized as "tourism" in order to allow the differentiation of these activities from the core and peripheral activities. Eating and drinking places are treated in a similar manner. The activity of non-chain restaurants located in close proximity to the plaza was captured and categorized as "tourism."

Related Services -- There are a variety of services supporting the cultural activities in the City of Santa Fe. These services include grant making and giving organizations that have a cultural focus, some social advocacy organizations involved with cultural preservation, and institutes and foundations emphasizing arts, culture and local history and heritage.

Table 3 and 4 below presents the sectoral detail respectively on employment and on wages and salaries that underlies the totals presented in the previous section. The large difference between total and exports for Historic District hotels and eating and drinking places reflects the fact that restaurants serve a large local clientele. The

estimate on exports for this industry was based on interviews with restaurant owners and takes into account the seasonality of the tourist trade. (See Appendix A.)

Table 3
CULTURAL INDUSTRIES EMPLOYMENT, SANTA FE COUNTY, 2002

	Core	ı	Peripheral		
Employment [*]	Total	Export	Total	Export	
Manufacturing	682	576	20	17	
Art Dealers (Retail)	529	447	30	26	
Other Retail	7	5	322	238	
Museums, Performing Arts, Artists	1,350	855	202	160	
Publishing, Motion Pictures, Sound	107	96	129	102	
Educational Services	915	710	334	192	
Historic Dist Accom / Foodservices	0	0	3,463	1,886	
Misc. Arts and Cultural Services	142	71	707	252	
Government**	378	359	75	60	
Total	4,109	3,120	5,282	2,933	

^{*} Because non-employers have no-employees, employee values in this table include wage and salary employment and an estimate of the number of non-employer (which includes the self-employed) establishments in 2001.

Source: NM Department of Labor ES-202 Employer Files, 2002, US Census Bureau, Nonemployer Survey, 2001

Table 4
CULTURAL INDUSTRIES WAGES & SALARIES, SANTA FE COUNTY, 2002

	Core		Peripheral	
Wages/Salaries (\$000)*	Total	Export	Total	Export
Manufacturing	14,952	12,634	523	442
Art Dealers (Retail)	15,929	13,468	630	16,059
Other Retail	226	169	4,255	3,269
Museums, Performing Arts, Artistists	18,109	11,846	7,599	6,020
Publishing, Motion Pictures, Sound	2,303	2,073	5,811	4,960
Educational Services	20,971	16,384	5,174	2,904
Historic Dist Accom / Foodservices	0	0	61,442	35,374
Misc. Arts and Cultural Services	4,654	2,327	13,734	4,348
Government**	11,010	10,459	2,852	2,320
Total	88,153	69,361	102,020	75,697

^{*} Because non-employer establishments do not have wages or salaries they are not represented in the wage data presented in this table.

Source: NM Department of Labor ES-202 Employer Files, 2002

Finally, Table 5 presents the estimates of total output or receipts by sector.

^{**} Includes activity of the 4 Santa Fe museums under the Department of Cultural Affairs.

^{**} Includes activity of the 4 Santa Fe museums under the Department of Cultural Affairs.

Table 5
CULTURAL INDUSTRIES OUTPUT/RECEIPTS, SANTA FE COUNTY, 2002

	Core	<u> </u>	Peripheral	
Output (\$000)*	Total	Export	Total	Export
Manufacturing	64,488	54,492	2,060	1,741
Art Dealers (Retail)	217,410	183,820	8,209	6,941
Other Retail	1,572	1,179	36,937	27,805
Museums, Performing Arts, Artistists	79,579	51,269	30,508	24,167
Publishing, Motion Pictures, Sound	10,362	9,326	21,481	18,200
Educational Services	69,896	56,799	14,613	8,566
Historic Dist Accom / Foodservices	0	0	219,450	131,365
Misc. Arts and Cultural Services	17,777	8,888	62,873	20,005
Government**	29,586	28,109	7,225	6,208
Total	490,670	393,883	403,356	244,999

^{*} Output represents an estimate of sales, shipments, receipts, revenue or business done depending on industry as defined by the Economic Census, US Bureau of the Census, 1997.

UNM Bureau of Business and Economic Research, 2004.

c) Gross Receipts and Tax Impacts

Table 6 below presents estimates on taxable gross receipts – the gross receipts tax base – for all those industries included in the analysis.

Table 6
ESTIMATED TAXABLE GROSS RECEIPTS IN CULTURAL INDUSTRIES
COMPARED WITH TOTAL SANTA FE COUNTY, 2002

		Taxal	ole Gross R	eceipts in (Cultural Indu	ustries (\$00	0s)
		Cor	е	Periph	eral	Total Cu	ltural
	Santa Fe Co		As % of	Periph'l	As % of		As % of
	(\$000s)	CoreTotal	Total	Total	Total	Total	Total
Total Tax Gross Rcpts	3,226,221	55,739	2%	272,161	8%	327,901	10%
Supported by Outside Dollars (Exports)	_	46,758	1%	147,404	5%	194,163	6%

UNM Bureau of Business and Economic Research, 2004.

The sector detail is presented in Table 7.

^{**} Includes activity of the 4 Santa Fe museums under the Department of Cultural Affairs.

 Table 7

 ESTIMATED TAXABLE GROSS RECEIPTS GENERATED FROM ART AND CULTURAL ACTIVITY IN SANTA FE COUNTY, 2002

Taxable Gross Receipts from all Art and Cultural Activity

<u> </u>	Arts and Culture Category						
_	Co	re	Peripl	neral	Tour	rism	
	Taxable		Taxable		Taxable		
	Gross	Percent of	Gross	Percent of	Gross	Percent of	
	Receipts	Category's	Receipts	Category's	Receipts	Category's	
Type of Activity:	(\$000)	Total	(\$000)	Total	(\$000)	Total	
Manufacturing	13,346	23.9%	426	0.6%	0	0.0%	
Art Dealers (Retail)	36,691	65.8%	1,385	1.9%	0	0.0%	
Miscellaneous Retail	1,133	2.0%	22,073	30.0%	0	0.0%	
Museums and Theater	1,404	2.5%	0	0.0%	0	0.0%	
Movies and Publishing	2,467	4.4%	3,583	4.9%	0	0.0%	
Arts and Cultural Services	0	0.0%	46,023	62.5%	0	0.0%	
Education	699	1.3%	146	0.2%	0	0.0%	
Accom / Foodservices	0	0.0%	0	0.0%	198,508	100.0%	
Government	0	0.0%	0	0.0%	0	0.0%	
Total	55,739	100.0%	73,637	100.0%	198,508	100.0%	

Taxable Gross Receipts from Export Art and Cultural Activity¹

_	Arts and Culture Category							
_	Co	re	Peripl	neral	Tour	rism		
	Taxable		Taxable		Taxable			
	Gross	Percent of	Gross	Percent of	Gross	Percent of		
	Receipts	Category's	Receipts	Category's	Receipts	Category's		
Type of Activity:	(\$000)	Total	(\$000)	Total	(\$000)	<u>Total</u>		
Manufacturing	11,277	24.1%	92	0.3%	0	0.0%		
Art Dealers (Retail)	31,022	66.3%	1,171	3.5%	0	0.0%		
Miscellaneous Retail	849	1.8%	16,195	48.8%	0	0.0%		
Museums and Theater	842	1.8%	39	0.1%	0	0.0%		
Movies and Publishing	2,220	4.7%	2,271	6.8%	0	0.0%		
Arts and Cultural Services	0	0.0%	13,347	40.2%	0	0.0%		
Education	547	1.2%	86	0.3%	0	0.0%		
Accom / Foodservices	0	0.0%	0	0.0%	114,204	100.0%		
Government	0	0.0%	0	0.0%	0	0.0%		
Total	46,758	100.0%	33,201	100.0%	114,204	100.0%		

^{1 -} Estimates of gross receipts generated by arts and cultural activity in Santa Fe County supported by revenues from outside of Santa Fe county.

Table 8 presents the estimates of gross receipts tax revenues to the City of Santa Fe, the County and the State based on applicable gross receipts tax rates, credits (0.5% of State tax is credited against City local option taxes), and State-shared distributions (1.225% from the State to the City).

Totals may not sum due to rounding.

UNM Bureau of Business and Economic Research, 2004.

Table 8
ESTIMATED GROSS RECEIPTS TAX REVENUES FROM
CULTURAL INDUSTRIES LOCATED IN SANTA FE

	Cultural Industries Directly Supported						
	Taxable Gross Receipts (\$000)	Jurisdiction Applicable GRT Rate	Gross Receipts Tax Revenues (\$000s) *				
City of Santa Fe	324,622	2.7875%	9,049				
County of Santa Fe	327,901	0.6250%	2,049				
State of New Mexico	327,901	3.2750%	10,739				
Total		6.6875%	21,837				

^{*} Actual receipts for City and County will be net of applicable administrative fees (3% on local option taxes) and will include penalties and interest.. Total State revenues will be higher by these administrative fees, penalties and interest, and receipts from Governmental Gross Receipts Tax on City and County admissions to cultural events and revenues from any cultural publications.

UNM Bureau of Business and Economic Research, 2004.

4) INDIRECT AND INDUCED IMPACTS

In 2002, the cultural industries attracted \$606 million to Santa Fe County from other parts of the state, the nation and the world. This created a net direct economic output impact of \$339 million of spending on goods, services and wages in the county, which supported 6,053 jobs and \$92 million in labor income. (See Table 9.) This direct economic impact had a "ripple" effect throughout the Santa Fe economy and generated an additional \$158 million in economic activity, which supported an additional 3,511 jobs and \$75 million in labor income, for a total economic effect of \$497 million in output, \$167 million in labor income, and 9,563 jobs.

Table 9
TOTAL ECONOMIC IMPACT OF CULTURAL INDUSTRIES'
OUTSIDE FUNDING ON SANTA FE COUNTY

	Direct	Indirect	Induced	Total	Multiplier
Output (000s)	339,541	84,699	73,174	497,413	1.465
Income (000s)	91,530	45,501	29,711	166,742	1.822
Employment	6,053	2,131	1,380	9,563	1.580

UNM Bureau of Business and Economic Research, 2004

The core cultural industries were responsible for 50.4% of the direct output impact. The \$166 million in output attributable to core cultural industries supported \$49 million in income and 3,120 jobs. This impact combined with direct and induced effects generated a total of \$251 million in output, \$92 million in income and 5,089 jobs.

In the core cultural activities group, performing arts, museums, and artists made the most significant impact with \$70 million in output, supporting 1,754 jobs and \$20 million in labor income. Educational services, which includes College of Santa Fe and many other art schools and dance academies, followed with \$68 million in total economic impact on the economy. This output supported 1,120 jobs and \$23 million in labor income. The detail is provided in Table 10 below.

Peripheral cultural industries made the other half of the total direct impact at \$173 million. This amount resulted in \$247 million in total output, \$75 million in income and 4,474 jobs.

In the peripheral cultural activities, accommodations and foodservices had the largest impact with \$149 million in total output, supporting 2,814 jobs and \$44 million in labor income. See Table 11.

Table 10
ECONOMIC IMPACT OF CULTURAL INDUSTRIES
IN SANTA FE COUNTY -- CORE

	Direct	Indirect/Induced	Total	Multiplier
Employment1				
Manufacturing	576	176	753	1.306
Art Dealers (Retail)	447	202	649	1.451
Miscellaneous Retail	5	3	8	1.536
Museums and Theater	855	898	1,754	2.050
Movies and Publishing	96	86	182	1.896
Arts and Cultural Services	71	33	104	1.471
Education	710	411	1,120	1.579
Government	359	160	519	1.447
Total	3,120	1,970	5,089	1.631
Wages (\$000)2				
Manufacturing	8,930	4,919	13,849	1.551
Art Dealers (Retail)	9,519	6,134	15,654	1.644
Miscellaneous Retail	120	92	211	1.765
Museums and Theater	8,373	12,083	20,456	2.443
Movies and Publishing	1,465	1,210	2,675	1.826
Arts and Cultural Services	1,645	1,923	3,568	2.169
Education	11,496	11,687	23,182	2.017
Government	7,393	5,132	12,525	1.694
Total	48,939	43,181	92,120	1.882
Output (\$000)3				
Manufacturing	23,577	8,062	31,639	1.342
Art Dealers (Retail)	21,248	7,540	28,788	1.355
Miscellaneous Retail	491	209	701	1.426
Museums and Theater	42,066	28,390	70,456	1.675
Movies and Publishing	5,682	4,115	9,797	1.724
Arts and Cultural Services	6,517	3,842	10,359	1.590
Education	44,185	23,482	67,668	1.531
Government	22,330	9,038	31,367	1.405
Total	166,097	84,679	250,776	1.510

^{1 -} Because non-employers have no-employees, employee values in this table include wage and salary employment and an estimate of the number of non-employer (which includes the self-employed) establishments in 2001.

UNM Bureau of Business and Economic Research, 2004.

^{2 -} Source: wage data for wage and salary employees from New Mexico Department of Labor 202 employer database. Because non-employer establishments do not have wages or salaries they are not represented in the wage data presented in this table. Data here

^{3 -} Output represents an estimate of sales, shipments, receipts, revenue or business done depending on industry as defined by the Economic Census, US Bureau of the Census, 1997. Totals may not sum due to rounding.

Table 11
ECONOMIC IMPACT OF CULTURAL INDUSTRIES
IN SANTA FE COUNTY -- PERIPHERY

	Direct	Indirect/□Induced	Total	Multiplier
Employment1				_
Manufacturing	17	6	23	1.381
Art Dealers (Retail)	26	10	35	1.376
Miscellaneous Retail	238	84	322	1.351
Museums and Theater	160	82	242	1.512
Movies and Publishing	102	64	166	1.633
Arts and Cultural Services	252	247	499	1.981
Education	192	96	289	1.502
Accom / Foodservices	1,886	928	2,814	1.492
Government	60	24	85	1.404
Total	2,933	1,541	4,474	1.526
Wages (\$000)2				
Manufacturing	313	173	485	1.553
Art Dealers (Retail)	376	242	618	1.642
Miscellaneous Retail	2,311	1,565	3,876	1.677
Museums and Theater	4,255	3,352	7,607	1.788
Movies and Publishing	3,506	1,662	5,168	1.474
Arts and Cultural Services	3,073	3,500	6,573	2.139
Education	2,051	1,911	3,962	1.932
Accom / Foodservices	25,002	18,669	43,672	
Government	1,704	956	2,660	1.561
Total	42,591	32,031	74,622	1.752
Output (\$000)3				
Manufacturing	778	270	1,047	1.347
Art Dealers (Retail)	817	288	1,106	1.353
Miscellaneous Retail	9,774	4,017	13,792	1.411
Museums and Theater	19,597	8,436	28,032	1.430
Movies and Publishing	8,058	2,616	10,674	1.325
Arts and Cultural Services	15,811	9,703	25,514	1.614
Education	6,660	3,640	10,300	1.547
Accom / Foodservices	106,953	42,214	149,167	1.395
Government	4,995	2,010	7,005	1.402
Total	173,444	73,194	246,637	1.422

^{1 -} Because non-employers have no-employees, employee values in this table include wage and salary employment and an estimate of the number of non-employer (which includes the self-employed) establishments in 2001.

Totals may not sum due to rounding.

UNM Bureau of Business and Economic Research, 2004.

^{2 -} Source: wage data for wage and salary employees from New Mexico Department of Labor 202 employer database. Because non-employer establishments do not have wages or salaries they are not represented in the wage data presented in this table. Data here

^{3 -} Output represents an estimate of sales, shipments, receipts, revenue or business done depending on industry as defined by the Economic Census, US Bureau of the Census, 1997.

Appendix A Results of Interviews with Representatives from Santa Fe's Arts and Cultural Industries

Information was collected from a large number of arts and cultural institutions. This data addressed three sets of questions:

- 1. What are the total revenues of the various sectors of the arts & cultural industries in Santa Fe? This information was mainly to check to reliability of standardized data sources, including the Economic Census and Bureau of Labor Statistics.
- 2. What percentage of all revenues generated by arts & cultural industries derive from regional exports; that is, to extent do these industries draw revenues to Santa Fe? This information helps to quantify the impact of arts & cultural industries in generating economic growth in Santa Fe.
- 3. What percentage of the expenditures made by the arts & cultural industries go to entities within Santa Fe, or conversely leave the region. Again, this information provides for the quantification of the economic impact of the sector on local economy.

For the purposes of this investigation, entities engaged in arts & cultural activities were divided into several subsectors. These subsectors included: artistic production; museums; performing arts institutions; educational institutions, including both general educational and art-specific organizations; art & craft galleries; public markets such as Indian market and Spanish market; and institutions that preserve historical landmarks and places. In addition, information was collected on supporting industries, including restaurants and accommodations. These institutions were included only to the extent that contributed directly to the cultural economy of Santa Fe, which specifically include non-chain establishments located in Santa Fe's historical district as delineated by the National Registry of Historical Places.

Museums: Santa Fe is home to more than a dozen museums, ranging in size from large state-owned institutions to smaller, private museums. Depending on the size and nature of the museum, revenues are generated by private contributions, special events, government grants, admissions, shop sales and other sources. Detailed information on the sources of revenues to museums was collected from tax reports of nonprofit institutions, assembled by Guidestar.org. Where possible, this information was cross-checked with information provided directly by museums. To determine the geographical source of museum revenues BBER collected and tabulated zip codes of visitors from several of the city's largest museums, including the four state-owned museums and Georgia O'Keeffe Museum. These lists indicate that approximately three-quarters of all visitors to Santa Fe museums are from out-of-town. Slightly lower estimates were given by smaller museums, including the Santa Fe Children's Museum. Using information also disclosed on tax reports, BBER also estimated on the origin of

private contributions to museums – the single largest source of museum revenues. The share of such contributions that originate in the Santa Fe area is estimated to be slightly less than 75 percent. Revenues raised by special events from Santa Fe residents were assumed slightly higher than the corresponding share of museum visitors, while the share of shop sales to out-of-town visitors was assumed to significantly exceed its corresponding share of museum visits.

Performing Arts: Santa Fe is also home to a large number of Performing Arts institutions and venues, including the Santa Fe Opera, the Lensic Performing Arts Center, Chamber Music Festival, ProMusica, the Symphony, the Desert Chorale, the Ballet Festival, Shakespeare in Santa Fe, and many others. Detailed information pertaining to the geographical source of revenues was provided by the Santa Fe Opera, and managers of several of the other institutions provided estimates of their patrons. Compared to museums, performing arts centers rely slightly more on ticket sales for their revenues, and with the exception of the Opera, the patrons are relatively more likely to be residents of Santa Fe. However, the Santa Fe Opera, by far the largest performing arts institution in the county, reports that nearly 75 percent of its patrons are from outside of Santa Fe, many from out-of-state.

Post-Secondary Educational institutions, including the College of Santa Fe, St. John's College, Santa Fe Community College and Southwestern College, contribute directly to the economy of arts and culture by providing arts-related education, supporting public events and fostering a climate supportive of the arts. Estimates of the share of institutional activities related to arts and culture were derived in the best of cases from records of student credit hours – the College of Santa Fe provided information on the percentage of total student hours at the College in arts and humanities courses. To determine the share of College revenues drawn from out-of-state, the College provided BBER with information on the geographical sources of the student body. Assumptions were made concerning the arts and cultural involvement of St. Johns College based on its Great Books curriculum. Course offerings were tabulated for Santa Fe Community College and Southwestern College to determine the share of activities at those institutions relevant to arts and culture. It was conservatively assumed that the entire student body of the Community College was originally resident of the Santa Fe.

Arts & Cultural Educational Institutions: In addition to post-secondary general educational institution, Santa Fe also features a number of institutions specifically provide and support education in the arts. These include nationally-renown National Dance Institute and Santa Fe Art Institute, as well as a number of smaller, locally oriented organizations such as Santa Fe Teens Arts, Arts & Science Laboratory and the New Mexico CultureNet. As with museums and other educational institutions, these institutions depend principally on grants and contributions, and only secondarily on program revenues. For the largest of these institutions, information on the sources of revenues was available either directly from representatives of the institutions or from tax reports compiled by Guidestar.org. Estimates were made based on information uncovered in the institution's literature or website.

<u>Public Markets</u>: Considerable effort was invested in the analysis of Santa Fe's public markets, including Indian Market, Spanish Colonial and Contemporary Arts Markets, markets sponsored by the Santa Fe Council for the Arts, and the Kiwanis Club's Zozobra. These markets involve two spheres of activity. The first is that of the sponsoring institution, which derives revenues through booth rentals (or ticket sales in the case of Zozobra) and make expenditures to facilitate the market. A substantial share of this is paid to the City of Santa Fe. The second sphere of activity is that of artists and vendors who operate booths. These individuals generate revenues through the sale of arts & crafts, and make expenditures in the production of the art and in payment to the sponsoring institutions, typically for licenses and booth rentals. The first of these two spheres is comparatively minor (SWAIA generates approximately \$600,000 per year in revenues), and the majority of these funds represent an inflow of revenues to Santa Fe. The second sphere of activity, sales by artists and vendors, involves a far volume of revenues.

The institutions that sponsor the markets have available accurate information on their own revenues and expenses, and reliable information on visitors to the market, including their places of residences. With minimal assumptions, this provides for a reasonable estimation of flow of revenues associated with the markets both into and out of the Santa Fe economy. Unfortunately, information on the volume of revenues generated by vendor sales is less readily available, and depends largely on educated estimates based on interviews with participating artists and vendors.

Historical and Cultural Preservation: there are a handful of nonprofit organizations based in Santa Fe whose mission is the preservation of historical places and indigenous and traditional cultures, including the Collective Heritage Institute and the Indigenous Language Institute. Sources of information concerning these organizations included Guidestar.org, organization-sponsored websites and, in one case, direct communications. In general, these institutions depend largely on grants and contributions, and most of these funds originate outside of Santa Fe. However, for most Santa Fe serves primarily only as a headquarters, and the majority of the programs sponsored by groups occur outside of the Santa Fe area.

Art Galleries: BBER conducted a randomly survey of 20 galleries in Santa Fe. The sample was selected from a list of members of the Santa Fe Gallery Association and Collector's Guide to Santa Fe art galleries. The combined list included nearly 200 galleries. Results of the survey suggest that the sample indeed random, as those surveyed ranged in size from \$45,000 to more than \$10 million in sales per year. The galleries were remarkably cooperative – with very exceptions, answers were provided for all questions. The survey included the following questions:

• What percentage of total sales, by value, is made to customers from outside the Santa Fe area? This information is reliable because most sales to out-of-state customers are exempt of Gross Receipts taxes, and thus galleries must collect verifiable information. (The response varied by the type of art, but on average approximately 85 percent of sales is made to out-of-state customers. To the extent that a share of the remaining in-state sales are customers from other parts

- of New Mexico, the percentage of sales to customers from outside of Santa Fe exceeds 85 percent.)
- Where is the art that is sold at the gallery produced? The information provided by galleries is again very reliable. Most galleries show a limited number of artists, or a larger number of artists from a specific area or group (e.g. Native American from specific Pueblos), and are sufficiently familiar with artists to be able to specify where the art is produced. Galleries also maintain accurate information regarding the value of sales by artists or groups of artists. (The results indicate that approximately 8 percent of the value of sales are from artists working in Santa Fe; slightly over 5 percent of sales are from artists working in other parts of New Mexico; and the remaining 87 percent of sales are from out-of-state artists.)
- What is the cost of art as a percentage of the total revenues? Again, this
 information is based on very reliable estimates, since it is common for galleries to
 sell art on a 50 percent consignment. On average, the smaller share of art owned
 by the gallery is sold at a mark-up of slightly over 100 percent.
- What other significant costs are incurred by galleries, and to what extent do those expenses flow out of Santa Fe? (In addition to payroll, the most significant expenses are rent/mortgage, advertising, shipping, insurance, and display).

Hotels and other accommodations: Estimates of the share of hotel revenues that are attributable to cultural activities depend on a small number of important assumptions. In general, it is assumed that all guests of hotels located in Santa Fe's historical district are attracted by the area's unique cultural and historical value. Cultural tourists clearly fall into this category, and any conference or function in historical district is likewise assumed to have been scheduled to draw from the benefits of the historical district's unique value. This is supported by that argument that the cost of lodging in this area of the city is significantly above that of other areas, and indeed other cities. The decision to locate in this area must therefore be attributed to some value specific to that area. A significant exception to this assumption is that guests on business with the state government have specific interest in being located close to state offices. To determine the percentage of guests of hotels in the historical district who are conducting business with state offices, a small survey of hotels was conducted. The survey resulted in an estimate that 10 percent of all guests of hotels in the historical district are in town on government business.

Restaurants: As with hotels, the principal concern was to estimate the share of revenues that are attributable to cultural activities. Again, it was assumed for the purposes of this analysis that only the business restaurants located with the historical district of Santa Fe, as defined by the National Register of Historic Places, should be considered related to cultural activities. However, unlike hotels, restaurant activities must be further limited to revenues associated with customers visiting from outside Santa Fe. To arrive at this estimate, a survey of managers of restaurants in the historical district was conducted to determine the percentage customers who were visitors to Santa Fe during the slowest month of business. The slowest month was determined to be February, and the percentage of out-of-town customers during that month was estimated to be 20 percent. From that point, it was assumed that any

monthly variation in receipts in excess of the February total was entirely attributable to out-of-town customers. This assumption was confirmed by restaurant managers, who noted that the decline of local customers during peak months was negligible.

A final note underlines the conservative nature of estimates of export revenues. In this study, estimates of expenditures of out-of-town customers include only those of persons visiting Santa Fe; they exclude expenditures of persons who have retired to Santa Fe or who own a second home in Santa Fe. However, in a technical sense, income that is used to purchase the good or service in Santa Fe that is earned outside the area constitutes an inflow of revenues to the region. Including expenditures of retirees and homeowners with out-of-town income sources would significantly increase the estimate of the value of exports arts & cultural goods from Santa Fe.